

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Big Creek Township	County Oscoda
Audit Date 3/31/05	Opinion Date 8/2/05	Date Accountant Report Submitted to State: 9/27/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson & Decker, P.C.			
Street Address P.O. Box 746	City Roscommon	State MI	ZIP 48653
Accountant Signature 	Digitally signed by James M. Anderson, CPA DN: cn=James M. Anderson, CPA, o=US, ou=Anderson & Decker, PC, email=jma@m33access.com Date: 2005.09.27 10:17:52 -04'00'		Date 9/27/05

TOWNSHIP OF BIG CREEK
OSCODA COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2005

TOWNSHIP OFFICIALS

Supervisor

James Booth

Clerk

Judy Berney

Treasurer

Janis Sanderson

TRUSTEES

Marian Buchanan

Rex McGregor

TOWNSHIP OF BIG CREEK

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Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653
(989) 275-8831

INDEPENDENT AUDITORS' REPORT

August 2, 2005

Township Board
Big Creek Township
Oscoda County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Big Creek, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion based on these financial statements on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, each major fund activity, and the aggregate remaining fund information of the Township of Big Creek, as of March 31, 2005, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2005, on our consideration of the Township of Big Creek's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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Township Board
Big Creek Township
Oscoda County, Michigan

As described in Note B, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of March 31, 2005.

The management's discussion and analysis on pages 3-8 and budgetary comparison information on pages 25-31 are not a required part of the basis financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in dark ink, appearing to read "J. Anderson", with a stylized flourish at the end.

ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TOWNSHIP OF BIG CREEK MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Big Creek Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2005.

Financial Highlights

- . The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$827,679 (*net assets*). Of this amount, \$390,362 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations.
- . The Township's total net assets increased by \$30,151.
- . As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$387,152, an increase of \$15,237 in comparison with the prior year.
- . At the end of the current fiscal year, unreserved fund balance for the general fund was \$387,152 or 115% of total general expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1)Government-wide financial statements, 2)Fund financial statements, and 3)Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**TOWNSHIP OF BIG CREEK
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and recreation. The Township does not have any business-type activities as of and for the year ended March 31, 2005.

The Government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains two governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Road Improvement Fund.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11 and 13 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**TOWNSHIP OF BIG CREEK
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-24 of this report.

Government-wide Financial Analysis

(Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of Township-wide data will be presented.)

A portion of the Township's net assets (53%) reflects its investments in capital assets (e.g., land, land improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township's Net Assets

	<u>Governmental Activities</u>
Current and Other Assets	\$ 392,787
Capital Assets, Net	<u>437,317</u>
Total Assets	830,104
Current Liabilities	<u>2,425</u>
Total Liabilities	2,425
Net Assets:	
Invested in Capital Assets, Net of Related Debt	437,317
Unrestricted	<u>390,362</u>
Total Net Assets	<u><u>\$ 827,679</u></u>

**TOWNSHIP OF BIG CREEK
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

The Township's net assets increased by \$30,151 during the current fiscal year. Unrestricted net assets - the part of net assets that can be used to finance day to day operations, increased by \$18,447 or 5%, during fiscal year 2005.

Township's Changes in Net Assets

	<u>Governmental Activities</u>
Revenue:	
Program Revenue:	
Charges for services	\$ 27,948
Operating Grants and Contributions	20,942
General Revenue:	
Property Taxes	73,420
State-Shared Revenues	230,942
Interest	<u>1,516</u>
Total Revenue	<u>354,768</u>
Expenses:	
General Government	200,571
Public Safety	85,221
Public Works	26,812
Recreation and cultural	<u>12,013</u>
Total Expenses	<u>324,617</u>
Increase in Net Assets	30,151
Net Assets, Beginning of Year	<u>797,528</u>
Net Assets, End of Year	<u><u>\$ 827,679</u></u>

Governmental activities. The Township's total governmental revenues decreased by \$32,921 from last fiscal year. This was primarily attributed to the reduction in revenues from state grants. Expenses increased by \$19,193. The increase was primarily due to elections and park improvements.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**TOWNSHIP OF BIG CREEK
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$390,362, an increase of \$18,447 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 100% of this total amount.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 115% of total general fund expenditures.

The fund balance of the General Fund increased by \$15,237 during the current fiscal year.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General and Road Improvement Funds.

Capital Assets and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2005, amounted to \$437,317 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$36,402 for the fiscal year.

**Township's Capital Assets
(net of depreciation)**

Land	\$ 133,781
Buildings and Improvements	180,968
Vehicles and Equipment	<u>122,568</u>
Total	<u>\$ 437,317</u>

Additional information on the Township's capital assets can be found in note F on page 22 of this report.

**TOWNSHIP OF BIG CREEK
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2005-2006 fiscal year:

- . The State of Michigan has made significant cuts in their operating budgets due to a down turn of the economy. For 2004-2005, the Township received \$230,501 in state shared revenues, representing 65% of the revenues in the General Fund. The amounts of state shared revenues for future periods is uncertain and will affect the Township's budget.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Big Creek Township
P.O. Box 197
Luzerne, MI 48636**

TOWNSHIP OF BIG CREEK
STATEMENT OF NET ASSETS
MARCH 31, 2005

ASSETS	<u>Governmental Activities</u>
Current Assets:	
Cash and investments	\$ 249,982
Receivables:	
Taxes receivable	93,731
Other Governmental Units	48,691
Interest	<u>383</u>
Total Current Assets	392,787
Non-Current Assets:	
Capital Assets - Net	<u>437,317</u>
Total Assets	<u>830,104</u>
 LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>2,425</u>
Total Current Liabilities	<u>2,425</u>
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	437,317
Unrestricted	<u>390,362</u>
 Total Net Assets	 <u><u>\$ 827,679</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BIG CREEK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
GOVERNMENTAL ACTIVITIES					
General Government	\$ (200,571)	\$ 25,181	\$ 20,942	\$ -0-	\$ (154,448)
Public Safety	(85,221)	-0-	-0-	-0-	(85,221)
Public Works	(26,812)	-0-	-0-	-0-	(26,812)
Recreation and Cultural	<u>(12,013)</u>	<u>2,767</u>	<u>-0-</u>	<u>-0-</u>	<u>(9,246)</u>
Total Governmental Activities	<u>\$ 324,617</u>	<u>\$ 27,948</u>	<u>\$ 20,942</u>	<u>\$ -0-</u>	<u>(275,727)</u>
GENERAL REVENUES					
Property Taxes Levied for:					
General Purpose					72,095
Public Works					1,325
State Shared Revenue not restricted to specific purposes					230,942
Investment Earnings					<u>1,516</u>
Total General Revenues					<u>305,878</u>
Change in Net Assets					30,151
Net Assets - April 1					<u>797,528</u>
Net Assets - March 31					<u>\$ 827,679</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BIG CREEK
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2005

	<u>General</u>	<u>Road Improvement</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 249,747	\$ 235	\$ 249,982
Taxes receivable	89,556	4,175	93,731
Interest receivable	383	-0-	383
Due from other units of government	48,691	-0-	48,691
Due from other funds	<u>1,200</u>	<u>-0-</u>	<u>1,200</u>
Total Assets	<u>\$ 389,577</u>	<u>\$ 4,410</u>	<u>\$ 393,987</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 2,425	\$ -0-	\$ 2,425
Due to other funds	<u>-0-</u>	<u>1,200</u>	<u>1,200</u>
Total Liabilities	<u>2,425</u>	<u>1,200</u>	<u>3,625</u>
Fund Equity:			
Fund balance	<u>387,152</u>	<u>3,210</u>	<u>390,362</u>
Total Fund Equity	<u>387,152</u>	<u>3,210</u>	<u>390,362</u>
Total Liabilities and Fund Equity	<u>\$ 389,577</u>	<u>\$ 4,410</u>	<u>\$ 393,987</u>

The accompanying notes are an integral part of the financial Statements.

TOWNSHIP OF BIG CREEK
RECONCILIATION OF FUND BALANCES ON BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
MARCH 31, 2005

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES \$ 390,362

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are
not current financial resources and therefore are
not recorded in the funds. This represents the
amounts by which capital assets used in governmental
funds exceeds accumulated depreciation. 437,317

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 827,679

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BIG CREEK
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
 FUND BALANCE - GOVERNMENTAL FUND TYPES
 YEAR ENDED MARCH 31, 2005

	General	Road Improvements	Totals
Revenues:			
Taxes and assessments	\$ 72,095	\$ 1,325	\$ 73,420
Intergovernmental	251,884	-0-	251,884
Charges for services	9,831	-0-	9,831
Rent	8,942	-0-	8,942
Interest	1,516	-0-	1,516
Other	9,175	-0-	9,175
Total Revenues	<u>353,443</u>	<u>1,325</u>	<u>354,768</u>
Expenditures:			
General government	191,684	-0-	191,684
Fire	68,674	-0-	68,674
Cemetery	5,374	-0-	5,374
Highways and streets	25,722	1,090	26,812
Parks & recreation	43,777	-0-	43,777
Total Expenditures	<u>335,231</u>	<u>1,090</u>	<u>336,321</u>
Excess:			
Revenue over (under) expenditures	<u>18,212</u>	<u>235</u>	<u>18,447</u>
Other financing sources (uses):			
Operating transfers in	-0-	2,975	2,975
Operating transfers (out)	<u>(2,975)</u>	<u>-0-</u>	<u>(2,975)</u>
Total Other Financing Sources (Uses)	<u>(2,975)</u>	<u>2,975</u>	<u>-0-</u>
Excess:			
Revenue and other financing sources over (under) expenditures and other Uses	<u>15,237</u>	<u>3,210</u>	<u>18,447</u>
Fund Balance - April 1	340,882	-0-	340,882
Prior Period Adjustment	<u>31,033</u>	<u>-0-</u>	<u>31,033</u>
Fund Balance - April 1 (restated)	<u>371,915</u>	<u>-0-</u>	<u>371,915</u>
Fund Balance - March 31	<u><u>\$ 387,152</u></u>	<u><u>\$ 3,210</u></u>	<u><u>\$ 390,362</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BIG CREEK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 18,447

Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds report capital outlays as
expenditures. However in the statement of activities,
the cost of these assets are capitalized and
depreciation charged to expense over their useful
life.

11,704

CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 30,151

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BIG CREEK
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2005

ASSETS		
Cash and Investments		\$ <u>90,342</u>
LIABILITIES		
Undistributed Collections		<u>90,342</u>
Total Liabilities		<u>90,342</u>
NET ASSETS		
Net Assets		\$ <u><u>-0-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BIG CREEK
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED MARCH 31, 2005

REVENUES	
Property Tax Collections	\$ 676,495
Interest and Other Collections	<u>13,135</u>
Total Revenues	<u>689,630</u>
EXPENDITURES	
Property Taxes	681,709
Other	<u>7,921</u>
Total Expenditures	<u>689,630</u>
Excess of Revenues over Expenditures	-0-
Net Assets - April 1	<u>-0-</u>
Net Assets - March 31	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BIG CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005

NOTE A: ENTITY

The Township of Big Creek is a general law township of the State of Michigan located in Oscoda County, Michigan. It operates under an elected board and provides services to its residents in many areas including public safety, street development and maintenance, and general administrative services. As required by generally accepted accounting principles and governmental Accounting Standards Board (GASB) Statement no. 14 "The Financial Reporting Entity", these financial statements present Big Creek Township (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. On this basis, the financial statements include all of the governmental functions of Big Creek Township.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Big Creek conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2004, the Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - And Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* are charged based upon a Township-wide cost allocation plan which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWNSHIP OF BIG CREEK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION: The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and select compensated absences are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports following major governmental fund:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

TOWNSHIP OF BIG CREEK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

The Township reports the following non-major governmental fund:

Road Improvement

Additionally, the Township reports the following fund types:

Agency Funds are used to account for assets held on behalf of outside parties, including other governments.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2004, are recorded as revenue in the current year. The Township's taxable value for the 2004 tax year totaled \$79,654,948.

The tax rates for the year ended March 31, 2005, were as follows:

<u>PURPOSE</u>	<u>RATE/ASSESSED VALUATION</u>
General	.8792 mills per \$1,000
Road Improvement	Special Assessment

BUDGETS - Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a fund level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The board normally adopts the budget just prior to April 1. Amendments are made to the budgets when determined to be necessary throughout the year. Unused appropriations for budgeted activities lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF SOUTH BRANCH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on the capital assets (including infrastructure), is computed using the straight-line or sum-of-the-years digits method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings	30-50
Public domain infrastructure	8-50
Equipment	3-20

LONG-TERM OBLIGATIONS - In the government-wide financial statements, the long-term debt and other long-term obligations are reported as liabilities. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Currently, the Township has no outstanding long-term obligations.

TOWNSHIP OF BIG CREEK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE C - CASH AND INVESTMENTS

The balance sheet accounts and types of cash items are presented below:

<u>Balance Sheet Accounts</u>	<u>Amount</u>	<u>Cash Items</u>	<u>Amount</u>
Cash and investments	\$ 249,982	Checking and Savings Account	\$ 249,982
Total	<u>\$ 249,982</u>	Total	<u>\$ 249,982</u>

Deposits - At year-end, the carrying amount of the Township's deposits was \$249,982 and the bank balance was \$258,334. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, 60% of the total bank balance was covered by federal depository insurance.

The Government Accounting Standards Board Statement No. 3 risk disclosures for South Branch Township's cash deposits are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 148,152	\$ 155,540
Uninsured and Uncollateralized	101,830	102,794
Total Deposits	<u>\$ 249,982</u>	<u>\$ 258,334</u>

Investments - P.A. 20 of 1943, authorizes the Township to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
- d. United States governmental or Federal agency obligation repurchase agreements.
- e. Bankers' acceptance of United States banks.
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

TOWNSHIP OF BIG CREEK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE D - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended March 31, 2005 the Department incurred expenditures in excess of the amounts appropriated in the General Fund as follows:

<u>Fund</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Township Assessor	\$ 15,700	\$ 16,555	\$ (855)

NOTE E - DUE FROM OTHER UNITS OF GOVERNMENT

Due from other units of government consists of money advanced to the Big Creek - Mentor Utility Authority totaling \$13,000 and State revenue of \$35,691, totaling \$48,691.

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2005 was as follows:

<u>Primary Government</u>	<u>Beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Governmental activities:				
Land	<u>\$ 133,781</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 133,781</u>
Total capital Assets, not being depreciated	<u>133,781</u>	<u>-0-</u>	<u>-0-</u>	<u>133,781</u>
Capital assets, being depreciated:				
Building and improvements	212,176	36,402	-0-	248,578
Vehicles and equipment	<u>203,811</u>	<u>-0-</u>	<u>-0-</u>	<u>203,811</u>
Total capital assets, being depreciated	<u>415,987</u>	<u>36,402</u>	<u>-0-</u>	<u>452,389</u>
Less accumulated depreciation for:				
Buildings and improvements	60,527	7,083	-0-	67,610
Vehicles and equipment	<u>63,628</u>	<u>17,615</u>	<u>-0-</u>	<u>81,243</u>
Total accumulated depreciation	<u>124,155</u>	<u>24,698</u>	<u>-0-</u>	<u>148,853</u>
Net capital assets, being depreciated	<u>291,832</u>	<u>11,704</u>	<u>-0-</u>	<u>303,536</u>
Net governmental activities capital assets	<u>\$ 425,613</u>	<u>\$ 11,704</u>	<u>\$ -0-</u>	<u>\$ 437,317</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 3,513
Public safety	16,547
Parks and recreation	<u>4,638</u>
Total depreciation expense - governmental activities	<u>\$ 24,698</u>

TOWNSHIP OF BIG CREEK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE G - PARTIAL SELF-INSURANCE

The Township is a member of the Michigan Township Participating Plan. Under most circumstances, the municipality's maximum coverage is limited as follows:

<u>Type</u>	<u>Limit</u>	<u>Deductible</u>
Property	\$ 733,300	100
Liability	2,000,000	-0-
Errors and Omission	2,000,000	-0-
Law Enforcement	2,000,000	-0-
Automobiles	2,000,000	-0-
Crime	10,000	-0-
Inland Marine	98,600	100
Workmen's Compensation	STATUTORY	-0-

NOTE H - JOINT VENTURE - UTILITY AUTHORITY

The Township is a participant in a joint venture with Mentor Township. The Big Creek-Mentor Utility Authority operates a joint township water and sewer system. Each of the townships appoint two members to the Utility Authority Board, these four members then appoint the fifth member from the residents of the two townships. Big Creek Township has a 50 percent interest in the venture and has advanced \$13,000 to the Utility Authority as an interest free loan. The Utility Authority is being funded by two Community Development Block Grants totaling \$809,500, a Farmers Home Administration loan of \$2,000,000, a Farmers Home Administration grant of \$4,000,000, and a State of Michigan Department of Public Health grant of \$2,450,000.

At March 31, 2004 the Utility Authority had assets of \$9,401,571 which consisted of cash totaling \$291,806, receivables of \$394,139, and capitalized construction costs of \$8,715,626 (net). Liabilities were \$2,210,234 and equity was \$7,191,337. Complete separate financial statements for the Utility Authority are available at the Mentor Township offices, 216 9th Street, Mio, Michigan.

TOWNSHIP OF BIG CREEK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE I - JOINT VENTURE - FIRE PROTECTION

Big Creek Township is a participant in a joint venture, Tri-Town Fire Department, with the Townships of Mentor and Elmer for the purpose of providing fire protection services to the residents of the townships. The Tri-Town Fire Board is composed of the Supervisor of each of the three townships, two township board members from Big Creek Township and one township board member from each of Mentor Township and Elmer Township.

NOTE J - PRIOR PERIOD ADJUSTMENT

The Township receives periodic payments from the State of Michigan for State Revenue Sharing. The payment received in May each year is for the months of January and February. In accordance with GASB Statement No. 34, an accrual was made to record the receivable as of March 31, 2005 and, consequently, a prior period adjustment for the prior year receivable of \$31,033 resulting in a restated General Fund beginning fund balance of \$371,915.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

TOWNSHIP OF BIG CREEK
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED MARCH 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes and assessments	\$ 63,301	\$ 63,301	\$ 72,095	\$ 8,794
Intergovernmental	235,020	235,020	251,884	16,864
Charges for services	-0-	-0-	9,831	9,831
Rent	-0-	-0-	8,942	8,942
Interest	500	500	1,516	1,016
Other	9,000	9,000	9,175	175
Total Revenues	<u>307,821</u>	<u>307,821</u>	<u>353,443</u>	<u>45,622</u>
Expenditures:				
General government	236,800	236,800	191,684	45,116
Fire	70,603	70,603	68,674	1,929
Cemetery	8,000	8,000	5,374	2,626
Sanitation	20,000	20,000	-0-	20,000
Highways and streets	40,000	40,000	25,722	14,278
Parks & recreation	60,000	60,000	43,777	16,223
Total Expenditures	<u>435,403</u>	<u>435,403</u>	<u>335,231</u>	<u>100,172</u>
Excess:				
Revenue over (under) expenditures	<u>(127,582)</u>	<u>(127,582)</u>	<u>18,212</u>	<u>145,794</u>
Other financing sources (uses):				
Operating transfers out	<u>-0-</u>	<u>-0-</u>	<u>(2,975)</u>	<u>(2,975)</u>
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>	<u>(2,975)</u>	<u>(2,975)</u>
Excess:				
Revenue over (under) expenditures and other financing uses	<u>(127,582)</u>	<u>(127,582)</u>	<u>15,237</u>	<u>142,819</u>
Fund Balance April 1	340,882	340,882	340,882	-0-
Prior Period Adjustment	<u>-0-</u>	<u>-0-</u>	<u>31,033</u>	<u>31,033</u>
Fund Balance April 1 - Restated	<u>340,882</u>	<u>340,882</u>	<u>371,915</u>	<u>31,033</u>
Fund Balance - March 31	<u>\$ 213,300</u>	<u>\$ 213,300</u>	<u>\$ 387,152</u>	<u>\$ 173,852</u>

TOWNSHIP OF BIG CREEK
GENERAL FUND
STATEMENT OF REVENUES - COMPARED TO BUDGET
YEAR ENDED MARCH 31, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes and Assessments:				
General property taxes	\$ 63,301	\$ 63,301	\$ 72,095	\$ 8,794
Total Taxes and Assessments	<u>63,301</u>	<u>63,301</u>	<u>72,095</u>	<u>8,794</u>
Intergovernmental:				
State shared revenues	235,020	235,020	230,501	(4,519)
Federal in-lieu	-0-	-0-	13,652	13,652
State Metro Act	-0-	-0-	7,290	7,290
State in-lieu	<u>-0-</u>	<u>-0-</u>	<u>441</u>	<u>441</u>
Total Intergovernmental	<u>235,020</u>	<u>235,020</u>	<u>251,884</u>	<u>16,864</u>
Charges for Services:				
Fees	<u>-0-</u>	<u>-0-</u>	<u>9,831</u>	<u>9,831</u>
Total Charges for Services	<u>-0-</u>	<u>-0-</u>	<u>9,831</u>	<u>9,831</u>
Rent	<u>-0-</u>	<u>-0-</u>	<u>8,942</u>	<u>8,942</u>
Interest	<u>500</u>	<u>500</u>	<u>1,516</u>	<u>1,016</u>
Other:				
Sale of cemetery lots	4,500	4,500	150	(4,350)
Reimbursements	-0-	-0-	1,576	1,576
Miscellaneous	<u>4,500</u>	<u>4,500</u>	<u>7,449</u>	<u>2,949</u>
Total Other	<u>9,000</u>	<u>9,000</u>	<u>9,175</u>	<u>175</u>
Total Revenue	<u>\$ 307,821</u>	<u>\$ 307,821</u>	<u>\$ 353,443</u>	<u>\$ 45,622</u>

TOWNSHIP OF BIG CREEK
GENERAL FUND
STATEMENT OF EXPENDITURES - COMPARED TO BUDGET
YEAR ENDED MARCH 31, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government				
Township Board:				
Salaries-board	\$ 5,000	\$ 5,000	\$ 5,000	\$ -0-
Payroll taxes	9,000	9,000	7,456	1,544
Supplies	2,500	2,500	3,756	(1,256)
Legal and audit	10,000	10,000	3,265	6,735
Insurance	16,600	16,600	9,584	7,016
Dues	4,000	4,000	2,608	1,392
Education	2,000	2,000	125	1,875
Miscellaneous	200	200	-0-	200
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>-0-</u>	<u>5,000</u>
Total Township Board	<u>54,300</u>	<u>54,300</u>	<u>31,794</u>	<u>22,506</u>
Township Supervisor:				
Salary	15,700	15,700	15,000	700
Salary-Clerical	1,000	1,000	885	115
Office supplies	2,000	2,000	542	1,458
Education	<u>-0-</u>	<u>-0-</u>	<u>190</u>	<u>(190)</u>
Total Township Supervisor	<u>18,700</u>	<u>18,700</u>	<u>16,617</u>	<u>2,083</u>
Election Board:				
Supplies	14,000	14,000	3,701	10,299
Contract services	4,000	4,000	4,389	(389)
Education	<u>-0-</u>	<u>-0-</u>	<u>934</u>	<u>(934)</u>
Total Election Board	<u>18,000</u>	<u>18,000</u>	<u>9,024</u>	<u>8,976</u>
Township Assessor:				
Salary	15,700	15,700	16,400	(700)
Office supplies	<u>-0-</u>	<u>-0-</u>	<u>155</u>	<u>(155)</u>
Total Township Assessor	<u>15,700</u>	<u>15,700</u>	<u>16,555</u>	<u>(855)</u>
Township Clerk:				
Salary - clerk	15,000	15,000	15,000	-0-
Salary - deputy	3,000	3,000	1,673	1,327
Office supplies	1,500	1,500	1,148	352
Education	<u>-0-</u>	<u>-0-</u>	<u>245</u>	<u>(245)</u>
Total Township Clerk	<u>19,500</u>	<u>19,500</u>	<u>18,066</u>	<u>1,434</u>

TOWNSHIP OF BIG CREEK
GENERAL FUND
STATEMENT OF EXPENDITURES - COMPARED TO BUDGET
YEAR ENDED MARCH 31, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government (continued)				
Township Treasurer:				
Salary - treasurer	\$ 15,000	\$ 15,000	\$ 15,000	\$ -0-
Salary - deputy	6,000	6,000	5,576	424
Office supplies	4,500	4,500	3,098	1,402
Tax statements	13,000	13,000	12,958	42
Education	<u>-0-</u>	<u>-0-</u>	<u>449</u>	<u>(449)</u>
Total Township Treasurer	<u>38,500</u>	<u>38,500</u>	<u>37,081</u>	<u>1,419</u>
Board of Review:				
Salaries	1,200	1,200	720	480
Printing and publications	<u>-0-</u>	<u>-0-</u>	<u>24</u>	<u>(24)</u>
Total Board of Review	<u>1,200</u>	<u>1,200</u>	<u>744</u>	<u>456</u>
Township Hall:				
Salaries	500	500	696	(196)
Supplies	6,500	6,500	1,222	5,278
Northwoods Club	10,000	10,000	4,605	5,395
Street lights	16,000	16,000	16,639	(639)
Contract services	36,400	36,400	33,735	2,665
Repair & maintenance	1,500	1,500	2,000	(500)
Utilities	<u>-0-</u>	<u>-0-</u>	<u>2,906</u>	<u>(2,906)</u>
Total Township Hall	<u>70,900</u>	<u>70,900</u>	<u>61,803</u>	<u>9,097</u>
Total General Government	<u>236,800</u>	<u>236,800</u>	<u>191,684</u>	<u>45,116</u>

TOWNSHIP OF BIG CREEK
GENERAL FUND
STATEMENT OF EXPENDITURES - COMPARED TO BUDGET
YEAR ENDED MARCH 31, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fire				
Fire Department:				
Salaries	\$	\$	\$ 11,351	\$
Supplies			7,572	
Contract services			1,120	
Insurance			7,500	
Utilities			4,310	
Education			818	
Total Fire Department (1)	<u>34,600</u>	<u>34,600</u>	<u>32,671</u>	<u>1,929</u>
Tri-Town Fire Department	<u>36,003</u>	<u>36,003</u>	<u>36,003</u>	<u>-0-</u>
Total Fire	<u>70,603</u>	<u>70,603</u>	<u>68,674</u>	<u>1,929</u>
Cemetery				
Salaries			1,949	
Supplies			721	
Contract services			2,704	
Total Cemetery (1)	<u>8,000</u>	<u>8,000</u>	<u>5,374</u>	<u>2,626</u>
Sanitation				
Big Creek-Mentor Utility Authority	<u>20,000</u>	<u>20,000</u>	<u>-0-</u>	<u>20,000</u>
Total Sanitation	<u>20,000</u>	<u>20,000</u>	<u>-0-</u>	<u>20,000</u>
Highways and Streets				
Road Improvements	<u>40,000</u>	<u>40,000</u>	<u>25,722</u>	<u>14,278</u>
Total Highway and Streets	<u>40,000</u>	<u>40,000</u>	<u>25,722</u>	<u>14,278</u>

(1) Budgeted in total.

TOWNSHIP OF BIG CREEK
GENERAL FUND
STATEMENT OF EXPENDITURES - COMPARED TO BUDGET (CONTINUED)
YEAR ENDED MARCH 31, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Parks & Recreation				
Salaries	\$	\$	\$ 4,088	\$
Supplies			2,375	
Contract services			543	
Utilities			369	
Park Improvements			<u>36,402</u>	
Total Parks & Recreation(1)	<u>60,000</u>	<u>60,000</u>	<u>43,777</u>	<u>16,223</u>
Total Expenditures	<u>435,403</u>	<u>435,403</u>	<u>335,231</u>	<u>100,172</u>
Other Financing Uses:				
Operating transfers out	<u>-0-</u>	<u>-0-</u>	<u>2,975</u>	<u>(2,975)</u>
Total Other Financing Uses	<u>-0-</u>	<u>-0-</u>	<u>2,975</u>	<u>(2,975)</u>
Total Expenditures and Other Financing Uses	<u>\$ 435,403</u>	<u>\$ 435,403</u>	<u>\$ 338,206</u>	<u>\$ 97,197</u>

(1) Budgeted in total

BIG CREEK TOWNSHIP
ROAD IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR THE YEAR ENDED MARCH 31, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:				
Property taxes	\$ 1,325	\$ 1,325	\$ 1,325	\$ -0-
Total Revenue	<u>1,325</u>	<u>1,325</u>	<u>1,325</u>	<u>-0-</u>
Expenditures:				
Road improvements	<u>1,325</u>	<u>1,325</u>	<u>1,090</u>	<u>235</u>
Total Expenditures	<u>1,325</u>	<u>1,325</u>	<u>1,090</u>	<u>235</u>
Excess:				
Revenue over (under) expenditures	<u>-0-</u>	<u>-0-</u>	<u>235</u>	<u>235</u>
Other financing sources (uses):				
Operating transfers in	<u>-0-</u>	<u>-0-</u>	<u>2,975</u>	<u>2,975</u>
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>	<u>2,975</u>	<u>2,975</u>
Excess:				
Revenue and other financing sources over (under) expenditures	<u>-0-</u>	<u>-0-</u>	<u>3,210</u>	<u>3,210</u>
Fund balance (deficit) January 1	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund balance (deficit) December 31	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,210</u>	<u>\$ 3,210</u>



Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653
(989) 275-8831

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

August 2, 2005

Township Board
Big Creek Township
Oscoda County, Michigan

Dear Board:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Big Creek Township for the year ended March 31, 2005, which collectively comprise Big Creek's basic financial statements and have issued our report thereon dated August 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

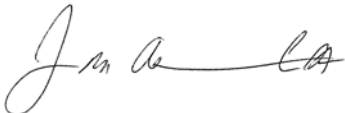
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Big Creek Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Big Creek Township in a separate letter dated August 2, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Big Creek Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of Big Creek Township, in a separate letter dated August 2, 2005.

This report is intended for the information of the audit committee, management, and the Township Board, and is not intended to be, and should not be used by anyone other than these specific parties.

A handwritten signature in blue ink, appearing to read "J. Anderson", is written over the printed name of the firm.

ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TOWNSHIP OF BIG CREEK
REPORT TO MANAGEMENT
MARCH 31, 2005



Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653
(989) 275-8831

August 2, 2005

Township Board
Big Creek Township
Oscoda County, Michigan

In planning and performing our audit of the financial statements of the Township of Big Creek, Oscoda County, as of and for the year ended March 31, 2005, we considered the Township's accounting, operational, and internal control procedures to determine the nature and extent of our audit testing for the purpose of expressing an opinion on the financial statements of the Township and not to provide assurance on the procedures themselves.

We did however, during the course of our audit, become aware of certain matters that are opportunities for enhancing those procedures or controls. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 2, 2005, on the financial statements of the Township of Big Creek.

We have already discussed these comments and suggestions with the Township's personnel, and we will be pleased to discuss them in further detail at your convenience, and/or to perform any additional studies of these matters, should you so desire.

Sincerely,

ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BIG CREEK TOWNSHIP

COMMENTS AND RECOMMENDATIONS MARCH 31, 2005

ACCOUNTING

The Township maintained an accounting software program for the year. Monthly activity was compared between the Clerk and Treasurer except for a couple of months. The Clerk's cash accounts however, did not reconcile to the treasurer's records at the end of the year. We recommend that the Clerk reconcile books with the Treasurer within 15 days of the month end to allow any adjustments required to be made in a timely manner.

SPECIAL REVENUE FUNDS

According to the board minutes from the March 31, 2001 meeting, the township was to create special revenue funds for the Luzerne Cemetery, Luzerne Fire Department, and Road Improvement Funds. The journals did not indicate any separate fund activity or balances for the Cemetery and Fire Department throughout the year. We recommend that the township create these funds separately including the allocation of cash balances and budget information, as required by the board motion.

CAPITAL OUTLAY

The Township is in the process of implementing procedures for record keeping and depreciating fixed assets acquired by the Township both past and current. Through our 2005 analysis several adjustments were made to reclassify non-capital outlay items that did not meet the criteria established by the committee. We recommend that the departmental and fund budgets be prepared in compliance with the capitalization policy established by the Township Board and the coding of the Township expenditures for capital items be applied consistently. Ultimately, only capital expenditures meeting the capitalization policy criteria should be in the capital accounts.